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## France

## Wine

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## 2007

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**Report Highlights:**

France is the world's number one wine producer with 53.3 million hectoliters (MHL) in 2005 and 2006 production currently estimated at 53.4 MHL.

Per capita French wine consumption has dropped dramatically since the early 60's. In 2005 French exports dropped two percent in volume from 2004 levels, as France continued to lose market share to New World wines.

Proposed reforms to the European Community Market Organization (CMO) initiated in June 2006 should provide more market balance in wine production and help avoid crisis management measures such as distillation of wine for ethanol production.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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**Note: Official Exchange Rates used in this report:**

Average exchange rates:

Calendar Year 2004: USD 1.00 = 0.806 Euros

Calendar Year 2005: USD 1.00 = 0.804 Euros

Calendar Year 2006: USD 1.00 = 0.796 Euros

(Source: Paris Stock Exchange/European Central Bank)

**EXECUTIVE SUMMARY**

As a producer, France ranks first in the world with production of 53.3 million hectoliters (MHL) in 2005 and 2006 production is currently estimated at 53.4 million hectoliters (MHL), an increase of 0.2 percent, compared to 2005, but 11 percent lower than the average during crop years 2000-2005. Twenty four percent of French wine production is sold within the European Union (primarily to the United Kingdom, Germany, Belgium and the Netherlands). Exports outside the EU are primarily to the United States, Japan, Canada, and Switzerland.

French domestic consumption increased 1.2 percent in 2005, compared to the previous year. Based on a recent study conducted by a French consumer-polling panel, consumption increased in Appellation of Origin wines (AOC), to the detriment of table wines. This trend is expected to continue in the future. Total bottled wine sales in hyper/supermarkets (without hard discounts) in 2005 dropped 2.7 percent, compared to 2004. This poll also reported that volumes purchased by the food service sector (traditional restaurants, cafeterias and company restaurants) decreased 3 percent in volume and 6 percent in value, during calendar year 2005. Quality wines (VQPRD) comprise the lion's share of food service sector purchases. (See Definitions)

Exports: French wine exports in CY 2005 dropped 2 percent in volume, compared to CY 2004, to about 14.1 MHL or \$7 billion in value, losing market share to "New World" wines. However, for the period January-October 2006, French wine exports increased 2.6 percent in volume and 11 percent in value to \$6.1 billion, compared to the same period in 2004. During this period, volume exported to the United States increased 15 percent compared to January-October 2005.

Imports: Total wine imports in CY 2005 decreased 1.9 percent in volume to 5.5 MHL valued at \$607 million. Although the United States represents only two percent of total French wine imports, French imports of U.S. wines have been growing steadily from 15,000 HL in 1994 to 100,000 HL in 2005. In 2005, French imports from the United States increased 3 percent in volume but decreased 7 percent in value to \$17 million due to the weak dollar.

Trade: Growth in world trade, compounded by the EU's expansion to Central and Eastern European countries, has intensified competition among exporters to the EU and among European producers themselves. French winemakers pressured by overproduction, shrinking exports, advertising restrictions, an aggressive anti-alcohol abuse campaign and changing drinking habits, are pleading for government help at all levels of the industry. The Government of France (GOF) has urged French growers to adapt to consumer demands as a means of competing more effectively with emerging third-country competitors and gaining share in new markets. The budget for financing international promotional campaigns for wines in 2005 amounted to 12 million Euros (\$15 million).

On March 10, 2006, the United States and the European Union reached an agreement on wine trade. This agreement addressed several key issues, and set a framework to facilitate future wine trade between the United States and Europe (See marketing section for more details.)

## **DEFINITIONS AND PRODUCTION RULES:**

### **Wine Designation Definitions:**

1. Appellation of Origin (AOC) wines: Certifies the wine's regional origin, manufacturing process, character, and alcohol content. AOC wines must undergo taste tests by the French Institute of Appellations of Origin (INAO). Nearly 45 percent of French wines and spirits are designated AOC.
2. Superior Quality Wines (VDQS): Although less restrictive in taste tests than AOC wines, this also certifies origin. VDQS wines are also subject to taste tests by INAO, production yield, minimum alcoholic, etc.
3. Quality Wines Produced in Determined Regions or Areas (VQPRD): A European classification that combines French AOC wines and VDQS wines.
4. Table Wines: Wines other than AOC and VDQS. These wines include country wines (*vins de pays*), which are regionally produced and are often of higher quality than ordinary table wines. The designation requires analytical tasting, various specified controls, and prohibits mixing wines from different regions.

### **Wine Plantations and Production Rules:**

To obtain a particular wine designation one must comply with strict European Union and French planting and production rules.

1. Planting Rules:
  - Control of vine planting (uprooting, new planting),
  - Ban of new planting, except in case of vineyard restructuring, experimentation or family consumption,
  - Possibility to replant under special conditions to replace old vines,
  - Control of vine planting according to wine produced,
  - Control of cultivation practices and treatments of vineyards.
2. Production Rules:
  - Declare wine production to French Customs,
  - Follow specific production criteria,
  - Follow an official procedure of agreement which guarantees wine origin, production and organoleptic controls,
  - Comply with traceability control measures.

**SECTION I. SITUATION AND OUTLOOK**

*Note: Since marketing year (MY) 2000/2001 the MY period runs from August to July. Thus, MY 2000/2001, was the period August 1, 2000 to July 31, 2001. This period continues for the following marketing years.*

Marketing Year 2005-2006

The 2005 wine crop (MY 2005/2006) of 53.3 million hectoliters (MHL) was 9.3 percent lower than the 2004 level (MY 2004/2005). Of the 2005 total production, 23.8 MHL were VQPRD wines, 20.1 MHL table wines, and 9.4 MHL wines for cognac production.

Calendar Year 2005

Exports: CY 2005 French wine exports remained stable from 2004, valued at \$7 billion, while export volume of 14.3 MHL decreased two percent compared to the 2004. Twenty-four percent of French wine exports were intra-EU. France's top export markets were, by value, the United Kingdom, the United States, and Germany and by volume, the United Kingdom, Germany, Belgium, the Netherlands and the United States. France continued to lose market share in 2005 to the advantage of New World wines.

French customs data indicates that during the period January-October 2006, French wine exports increased 2.6 percent in volume and 11 percent in value, compared to January-October 2005, with a value of \$6.1 billion. During this 9 month period, France's major clients remained the United Kingdom, Germany, Belgium, the Netherlands and the United States, representing 68 percent of total export volume. Champagne and sparkling wines were still in demand, while VQPRD and table wine exports decreased significantly during this same period, compared to 2005. The French industry is struggling to change marketing practices to face New World competition, maintain the high reputation of French wines and build upon recent momentum.

Export Promotions: For Calendar Year 2005, French organizations, ONIVINS and SOPEXA, had 12 million euros (\$15 million) for export promotions of French wines in overseas markets, including the United States. International advertising promoted VQPRD wines.

Imports: French wine imports during calendar year 2005, valued at \$607 million, decreased 1.9 percent in volume to 5.5 million hectoliters. By volume, 84 percent of French wine imports were table wines, predominantly originating from other EU countries, particularly Italy and Spain. In 2005, French wine imports from the U.S. of \$17 million increased 3 percent in volume but decreased 7 percent in value, compared to 2004. U.S. market share in 2005 was 2 percent by volume. French imports of US wines have shown steady growth since 1994 from 15,000 HL to 100,000 HL in 2005.

Consumption: Interestingly, French wine consumption increased 1.2 percent in 2004/05 reversing an ongoing decline in consumption since 1999. French wine consumption, which was 100 liters per capita in 1960 has fallen to 55 liters today according to a study by the French Agricultural Research Center (INRA) and the French Office for Wines and Vines (ONIVINS). This generally downward trend is forecast to continue as consumers make other beverage choices and is forecast to result in a 25 percent decline in wine consumption by 2010 from 1999 levels. In addition, the French Health Ministry is vigorously enforcing wine labeling requirements that warn pregnant women and other consumers about the negative health effects of over consumption. No later than October 2, 2007 the labels on alcoholic beverages must include a health warning for pregnant women.

CMO: The Aquitaine region in France, an important producer, has expressed its opposition to the Common Market Organization for Wine (CMO) reforms proposed by the EU Commission in June 2006. The CMO applies various technical adjustments in wine production in an effort to address market conditions.

Forecast: The French Ministry of Agriculture forecasts a 2006 wine crop of 53.4 MHL, an increase of 0.2 percent from the 2005 wine crop. The crop is expected to be average in quantity and of good quality for most of the French wine regions.

## SECTION II. STATISTICAL TABLES

## 1. Trade Matrices

## Export Trade Matrix

<b>Country</b>	France		
<b>Commodity</b>	Wine		
Time Period	Jan-Dec	Units:	1,000 hl
Exports for:	2004		2005
U.S.	948	U.S.	984
Others		Others	
UK	3104	UK	3020
Germany	2656	Germany	2458
Belgium	1673	Belgium	1701
Netherlands	1429	Netherlands	1366
Japan	636	Japan	616
Canada	570	Canada	575
Switzerland	569	Switzerland	543
Denmark	416	Russia	423
Italy	328	Denmark	405
Russia	307	Italy	319
Total for Others	11688		11426
Others not Listed	1701		1660
Grand Total	14337		14070

## Import Trade Matrix

<b>Country</b>	France		
<b>Commodity</b>	Wine		
Time Period	Jan-Dec	Units:	1,000 hl
Imports for:	2004		2005
U.S.	97	U.S.	100
Others		Others	
Spain	2805	Spain	2778
Italy	1055	Italy	1144
Portugal	761	Portugal	550
Chile	237	Chile	226
Germany	121	Australia	111
Australia	101	Germany	99
Morocco	82	South Africa	66
South Africa	66	Morocco	61
Greece	45	UK	42
UK	36	Greece	35
Total for Others	5309		5112
Others not Listed	238		324
Grand Total	5644		5536

Source: French Customs

## 2. PSD Table:

Country	France								
Commodity	Wine								
	(1000 MT)			(1000 HL)					
	2004	Revised		2005	Estimate		2006	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2004	08/2004		01/2004	08/2005		01/2004	08/2006
Total Grape Crush	0	7605	7605	0	0	0	0	0	0
Begin Stock (Ctrl App)	0	25542	25542	0	0	28552	0	0	27500
Begin Stock (Other)	0	6818	6818	0	0	21378	0	0	33500
Total Beginning Stocks	0	46598	32360	0	63500	49930	0	0	61000
Prod. from Wine Grapes	0	58500	58845	0	0	53314	0	0	53400
Prod. from Tabl Grapes	0	0	0	0	0	0	0	0	0
Total Production	0	58500	58845	0	0	53314	0	0	53400
Intra-EU Imports	0	4173	4871	0	0	4671	0	0	4500
Other Imports	0	723	712	0	0	692	0	0	650
Total Imports	0	4896	5583	0	0	5363	0	0	5150
Total Supply	0	109994	96788	0	63500	108607	0	0	119550
Intra-EU Exports	0	10303	10097	0	0	9977	0	0	10200
Other Exports	0	3958	3841	0	0	4364	0	0	4500
Total Exports	0	14261	13938	0	0	14341	0	0	14700
Dom.Consump(Cntrl App)	0	15505	17608	0	0	17536	0	0	17500
Dom.Consump(Other)	0	16728	15312	0	0	15730	0	0	15700
Total Dom.Consumption	0	32233	32920	0	0	33266	0	0	33200
End Stocks (Cntrl App)	0	47500	28552	0	0	27500	0	0	27500
End Stocks (Other)	0	16000	21378	0	0	33500	0	0	44150
Total Ending Stocks	0	63500	49930	0	0	61000	0	0	71650
Total Distribution	0	109994	96788	0	0	108607	0	0	119550



## 3. Price Table:

**Wine Price Evolution and Retail Sale Prices  
From 2000 to 2005**

Wholesale Prices Index

Retail Price  
in USD/liter

Years	Table Wines	VQPRD Wines	Sparkling Wines	Total	Alcoholic content of 11% by volume	Alcoholic Content of 12% by volume
2000	104.2	100.8	110.4	102.2	1.13	N/A
2001	105.6	102.3	112.0	103.9	1.25	N/A
2002	93.4	100.6	101.3	103.9	1.25	N/A
2003	107.5	100.6	N/A	125.8	1.27	N/A
2004	107.7	100.5	N/A	125.9	1.27	N/A
2005	107.8	100.5	N/A	125.8	1.26	N/A

Note: All above indices are current

N/A = Not Available

Source: French Institute for Statistics (INSEE)

**4. Tariff Table:**

## Taxes on Wines Imported into France from Outside the EU

HTS Codes (*)	Types of Wines	EU Customs Duties (EURO/HL)	French Transportation Tax (EURO/HL)	French Value Added Tax (TVA)
22 04 10	Sparkling wines	32.00	8.40	19.6%
22 04 21	Volume of still wines with alcoholic content not exceeding 13%: - in containers holding 2 liters or less - In containers holding more than 2 liters	13.10  9.90	3.40  3.40	19.6%  19.6%
22 04 29	Volume of still wines with alcoholic content above 13% but not exceeding 15%: - In containers holding 2 liters or less - In containers holding more than 2 liters	15.40  12.10	3.40  3.40	19.6%  19.6%

Footnotes: (\*) Harmonized Tariff Schedule

HL = Hectoliters

EU customs duties are calculated as a percentage of the ad valorem value of the product. The current duty rate is 32 euros per hectoliter for sparkling wine, between 9.90-13.10 euros per hectoliter for still wines under 13 percent alcohol content, and 12.10-15.40 euros per hectoliter for still wines over 13 percent alcohol content, depending on how the product is bottled.

**SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING****1. General Production**

In 2005, Spain had the largest area under vines, followed by France and Italy in the EU. In 2005, vineyards comprised 17 percent of all harvested agricultural areas in France, compared to 15.8 percent in Spain and 11.9 percent in Italy. Based on French customs data (DGDDI), France had 112,679 wine growers cultivating 837,000 hectares of vineyards for wine production in 2005. About 63 percent of French vineyards were devoted to VQPRD wines. France represents 26 percent of the European Union's vineyard area and 12 percent of the world's vineyard area.

France was the largest European producer in 2005 followed by Italy and Spain. France's share of total world wine production was approximately 22 percent while the United States represented about 8 percent of the total world production. The three largest French wine producing regions--Languedoc-Roussillon, Aquitaine, and Provence/Alpes/Cote d'Azur (PACA)--accounted for 62 percent of total French wine production in 2004.

Since MY 2001/2002, the new European Community Market Organization (CMO) has provided financial assistance to the growers of ordinary table wines in an effort to improve the quality of their vineyards. This assistance has included support for measures, such as:

- Vine plantings (the goal being to control new vine plantings)
- Production condition for table wines (the goal being to control production and maintain quality)
- Assistance in the restructuring of vineyards including bonus for uprooting marginal vines
- Prevention distillation (permits to decrease wine stocks).

Note that MY 2005/2006 was the fifth marketing year where new CMO was applied with various technical adjustments to production and market conditions. Prevention distillation decreased during that period and no crisis distillation was necessary.

## 2. Crop Area and Yields

In 2005, French production averaged 110 hl/ha.

## 3. Production Policy and Government Support

- EU Export Subsidies and World Trade Organization (WTO) Agreement on Wines

Table wines and liquor wines without appellation, as well as concentrated grape juice, can benefit from EU export subsidies. These subsidies, however, are granted only for export to certain countries and the wines involved are subject to specific analysis and agreements. During CY 2005, the volume of French non-AOC wine exported with EU export subsidies was 101,818 HL, and subsidized by 0.74 million euros (\$0.92 million).

The EU agreement under the WTO, implemented on July 1, 1995, required both a reduction in the export volume of subsidized wine and in the value of wine subsidized, for a period of six years. This agreement has been extended for an indefinite time. The current duty rate is 32 euros per hectoliter for sparkling wines, between 9.90-13.10 euros per hectoliter for still wines fewer than 13 percent alcohol content, and 12.10-15.40 euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is bottled.

--Organic Wines and Sustainable Agriculture

In 2002, ONIVINS began providing financial support to the French Interprofessional Federation of Organic Wines (FNIVAB) to assist in the development of its organic marketing activities. In 2004, ONIVINS stopped its direct contribution to FNIVAB, but continued to finance some promotions of organic wines, such as "Printemps Bio". The French Food Labels and Certification Committee regulates the use of the "AB" (agriculture biologique) logo on wine labels.

The French wine industry has participated in France's sustainable agriculture movement since 1999. These efforts encourage environmentally friendly cultivation (which is not as restrictive as organic cultivation).

## Consumption

French Wine Consumption by Category  
For Marketing Years 2003/04, 2004/2005 and 2005/2006  
(In 1,000 HL)

Wine Category	2003/04	2004/05	2005/06
VQPRD Wines	15,821	17,608	17,536
Table Wines	17,069	15,312	15,730
TOTAL	32,890	32,920	33,266

Source: DGI/DGDDI (General Customs Office, Excise Taxes)

Per Capita French Wine Consumption by Category  
For Marketing Years 2003/04, 2004/2005 and 2005/2006  
(liters)

Category of Wines	2003/04	2004/05	2005/06 (F)
VQPRD Wines	27.3	29.4	29.2
Table Wines	27.5	25.5	26.2
TOTAL	54.8	54.9	55.4

(F) Forecast

Source: DGI/DGDDI (General Customs Office, Excise Taxes)

A study commissioned by ONIVINS and conducted by the French Consumer Panel (SECODIP) indicated that among alcoholic beverages, seniors prefer wine, while younger drinkers prefer more exotic drinks. Another recent study conducted by ONIVINS and the French Institute for Agricultural Research (INRA), indicated that for consumers under 35 years old, which as a group comprise 23 percent of total French households, at least 88 percent bought a still wine and 48 percent bought a sparkling wine, in the last year. This age group buys smaller amounts of wines compared to seniors.

Consumers from 35 to 49 years old (30 percent of French households) make 25 percent of total wine purchases. They purchase still white and sparkling wines (except champagne) in larger quantities than any other age group. The group from 50-64 years old is the leading buyer of wine in all categories, with a preference for red wines. Consumers 65 years and older represent, when combined with the 50-64 year olds, 47 percent of total French households and are the leading buyers of still wines, consisting mostly of table wines. Consumers 50 years and older are the major buyers of champagne consuming 11 percent more than the average consumption level.

## Trade

### 1. Exports

Over the last six years, French exports have dropped by 12 percent in volume. In 2005, the total value of French wine exports remained stagnant at 2004 levels at \$7 billion. French wine exports for 2005 reached 14.1 MHL, representing 24 percent of the total French wine production, a decrease of 2 percent in export volume compared to the previous year.

A significant portion of French wine exports is directed to several markets. By value, the

three largest French markets represent 48 percent of the total French exports and 52 percent in volume. The EU's share of all French exports is 71 percent by volume and 60 percent by value, a decrease of three percent over the last five years. Within the EU, France's major clients are the United Kingdom, Germany, Belgium and the Netherlands. Major non-EU export markets for VQPRD wines are the United States, Japan, Switzerland and Canada.

VQPRD wine exports for 2005 decreased in volume (-0.2 percent) and 0.7 percent in value, compared to 2004, primarily to the United Kingdom, Germany and the Netherlands. Volume of wine exports to Belgium, Russia, Denmark, Italy, and the United States slightly increased.

During the period January-October 2006, French exports of wines significantly increased to Russia (40 percent by volume, 15 percent by value), Italy (10 percent by volume, 9 percent by value), China (16 percent by volume, 90 percent by value), compared to the same period in the 2005. Within the EU, French wine exports decreased to Germany, the Netherlands, Denmark, and Japan, respectively 8.5 percent, 3.5 percent, 5.5 percent and 7.6 percent, by volume.

Globally, the French wine industry, which employs 500,000 people, states that the value of its exports increased by 11 percent, and 3 percent in volume during the period January-October 2006, compared to the previous year.

Since 2002, French wines have held the third spot in the United States import market, after Italy and Australia. In 2005, French exports of wines and champagnes represented a 13 percent market share of the U.S. import market, while Italy represented 31 percent and Australia 30 percent of total U.S. imports. The French wine industry sees itself in crisis and is seeking government assistance to restructure its marketing strategies so that it can meet the challenge posed by the New World wines.

As of December 12, 2003, French exporters of wine and spirits to the United States must comply with the U.S. Bioterrorism Act (BTA). The information on the requirements of the BTA was widely disseminated among the French exporters by the former French Center for Exterior Trade (CFCE) now UBI-France and the French Association of Wine and Spirits Exporters (FEVS).

## **2. Imports**

The French imported \$607 million in wine in 2005 reflecting a decrease of 1.9 percent in volume compared to the previous year. France's top EU suppliers remained Spain, Italy and Portugal. Outside the EU, Chile (226,000 HL imported), USA (100,000 HL), and Australia were the top suppliers.

In 2005, French imports from the United States were 100,000 HL, an increase of 3 percent in volume over calendar year 2005. It is interesting to note that the French imports of U.S. wines have increased 55 percent in volume over the period 1999-2005. This increase can be attributed to the presence of Gallo Winery in this market since 1998. Gallo is very active in the retail sector and restaurant food service sector.

## **3. Domestic Support and Impact on Trade**

The GOF subsidizes the wine sector through the French Office for Wines and Vines (ONIVINS). ONIVINS's allocated budget in CY 2005 for promotional activities in foreign markets was 10 million euros (\$12 million); an additional 2 million euros (\$3 million) were added during the year to enhance the image of French wines abroad. Promotional activities

conducted by ONIVINS were mainly in Europe (49 percent), in the Americas (39 percent) and in Asia (12 percent). ONIVINS's budget for promotions in the United States during calendar year 2005 was 2.2 million euros (\$2.7 million). In 2006, ONIVINS's export promotional budget was reduced to 9 million euros (\$11million), and funding for promotions in the United States fell to 1.1 million euros (\$1.4 million).

ONIVINS also administers EU subsidies allocated to the French wine sector including export refunds and assistance earmarked for vineyard reconstruction, distillation, and grape juice fortification.

#### **4. European Community Market Organization (CMO) Potential Reform and French Aid for Vineyard Improvements**

The EU Wine Community Market Organization Reform (CMO) was authorized by the European Union Agricultural Ministers in March 1999 under "Agenda 2000" and implemented by Regulation No. 1493/1999 of May 17, 1999. The current CMO coordinates EU wine practices and production and carries out wine reforms to help the EU wine industry adapt to new market conditions. On June 21, 2006, the EU Commission proposed fundamental reforms to the CMO for wine. This project will simplify former legislation by:

- Replacing current distillations (preventive, mandatory or support) with a more flexible system aimed at balancing the wine sector.
- Temporarily reviving the removal of vines program to uproot 400,000 hectares of production during a five-year period for the whole European Union with total financial support of 2.4 million euros (\$3 million).
- Suppressing different financial supports, such as "crisis" distillation, must grape enrichment, and prohibiting the use of sugar, or at least reducing the tolerance level, to 2 percent for all producing regions.
- Providing domestic support for each Member State to finance vineyard improvements, under certain conditions.
- Financing assistance for rural development.
- Modifying and aligning current quality policy and geographic indication regulations with the COM agreement.
- Placing oenological practices under the responsibility of the EU Commission.
- Establishing unique labeling for all wine categories.
- Increasing promotion and information to third countries as well as the EU.

The EU Regulation that supports vine uprooting (originally Regulation 1442/88 CEE) has been maintained under certain conditions with no annual quotas per Member State. As a consequence, each marketing year, France determines areas and vines which can benefit from the uprooting support.

#### **MARKETING**

## 1. Infrastructure and Distribution

Wholesalers and importers make up France's wine distribution system. Wholesalers frequently sell to specialized wine stores, food stores, restaurants and institutions. Importers sell to supermarkets. Mail order sales are generally made directly by the producer. Supermarket wine sales in France make up 78 percent of household wine purchases (17 percent for hard discounters), while 22 percent come from specialized wine sales (wine stores, direct sales, etc.).

According to a consumer panel, Infoscan IRI France, in 2005, total still wine sales in French supermarkets, including foreign-wine sales, were estimated at 3.1 billion euros (\$3.8 billion), from which VQPRD wines were 2.3 billion euros (\$2.9 billion). Total wine consumption in 2005 reached 33 MHL, of which restaurants, hotels and cafes accounted for 10 MHL, and homes 23 MHL. Of the 23 MHL of wine consumed in homes, 9.4 MHL were purchased in supermarkets and the rest in specialized stores or directly from wine growers. Furthermore, wines purchased for the food service sector in 2005 decreased 3 percent in volume, with the bulk of purchases being red VQPRD wines.

In 2005, total sales of foreign wines in super/hypermarkets increased 6 percent compared to 2004. The foreign wine market in France is a branded market representing sales in supermarkets of over 55 million euros (\$68 million). Top selling foreign wines selling originate from North Africa, Spain, Italy and New World wines (Chile, Australia, South Africa, New Zealand, and the U.S., particularly California).

## 2. Policy: Safety Laws, Labeling and Restrictions Affecting U.S. Wine Exports

### -- The Impact on French Wine Consumption of the Evin Law, and other Regulations Against Alcohol

In 1992, the GOF instituted regulations that limited radio and TV advertisements promoting alcohol. These regulations were called Loi Evin (the name of the French Minister for Social Affairs at that time). These regulations were followed by two additional decrees in 1993 which regulated advertising at point of sale and event sponsorship. These regulations are still in force and the French wine industry continues to lobby for modifications to the Evin law. In addition, ONIVINS has conducted several studies to better understand the effects of moderate wine consumption on health. These studies show that moderate consumption has health benefits, but, as of October 2, 2006, France published a decree requiring health warnings on labels of alcoholic beverages for pregnant women. This decree should be in force no later than October 2, 2007.

## -- Import Rules

On March 10, 2006, the U.S. and the EU signed a wine trade agreement providing for mutual acceptance of wine-making practices, and addressing a number of labeling issues. The EU will now accept existing US wine-making practices, and will make procedural provisions for approval of new practices. Under the terms of the agreement, the EU will also simplify wine certification requirements for US wine. The US agrees to seek legislative changes to limit the use of 16 semi-generic names, as well as *retsina*, used on wine labels. At the same time, the EU will permit the use of certain terms (chateau, classic, clos, cream, crusted/crusting, fine, late bottled vintage, noble, ruby, superior, sur lie, tawny, vintage, vintage character) under specified conditions in the EU market.

With this new agreement, US wineries can market their wines in the EU under the name of a single variety of grape, or a name of origin, provided that 75 percent of the wine is derived from grapes of that variety or from the name place. The US and the EU agreed not to require labeling of wine-making processes, treatments, or techniques that do not relate to health and safety. While the US and the EU agreed to recognize certain of each other's names of origin in specified ways, this agreement does not address the use of geographical indications. For EU wines sold in the US market, the conditions are consistent with current US regulations. For more information, visit the following website:  
[www.useu.be/agri/usda.html](http://www.useu.be/agri/usda.html).

## -- Labeling Regulations

Labels on U.S. wines exported to France must include:

- Net contents of the bottle, in milliliters, centiliters or liters.
- Name and address of the French importer preferably printed on the main label. However, small stick-on labels can also be applied by the French importer.
- The wine's alcohol content.
- Indication of manufacturing lot.
- Indication of country of origin.

EU labeling regulations allow the US government-authorized indication of two vine varieties for table wines provided the wines are exclusively from those vines. All varieties should be listed using the same print and field of vision, the most important variety topping the list. The label must indicate geographic origin.

## New Labeling Rules

In May 2002, the European Commission adopted new rules for the labeling of wine (Commission Regulation 753/2002). The rules lay down what information must be shown on wine labels and regulates the use of certain optional terms such as production methods, traditional expressions, names of the vineyard and vintage year. The new regulation introduces arrangements for the protection of certain traditional expressions linked to an EU geographical origin, e.g., "ruby" for port from Portugal. It also reserves certain bottle types for certain types of wine. Title V of the new regulation outlines provisions applying to third country wines. Third country wines may include geographical indications on the label but only under certain conditions.

For more information on EU wine labeling requirements, please visit:

[www.useu.be/agri](http://www.useu.be/agri), and  
<http://www.fas.usda.gov/gainfiles/200604/146187574.pdf>



### **3. France Market Development Activities**

Assistance for domestic and international promotion of wines and spirits comes from the French market promotion agency (SOPEXA) which actively promotes French food products and wines in EU and overseas markets.

During CY 2005, ONIVINS had a total budget of 12 million euros, or about US \$15 million for promoting French wines. The GOF and inter-professional organizations underwrite this budget.

Promotional activities funded by ONIVINS focused on advertising campaigns, promotional materials, in-store promotions in specialized outlets, hotels, restaurants, as well as fairs and trade shows. New promotional activities were also conducted in 2005, aimed at reinforcing advertising and promotional campaigns conducted by regional trade associations in foreign countries, including the United States.

### **4. Competitor Programs/Activities**

Nearly all of the other EU countries conduct some form of market promotion in France. Wine is commonly promoted through participation in trade shows as well as public and trade advertising and supermarket promotions. Countries that do not have export promotion agencies often use their local embassies or French importers to conduct their promotion. Non-EU countries promoting wines in France include South Africa, Chile, Argentina, the United States, Australia, and more recently, New Zealand and Bulgaria.

### **5. U.S. Market Opportunities**

Most of the American wines sold in France are Cabernet Sauvignon, Chardonnay, Zinfandel and Pinot Noir from California. U.S. wines in France face strong competition from domestic producers, and from France's leading EU suppliers (Italy, Spain and Portugal), as well as Chile, Australia, Germany, South Africa and Morocco. Central and Far Eastern wine producers are now emerging and should be considered future competitors. However, there are market opportunities for U.S. wines in France, thanks in part to the "exoticism" and quality of U.S. wines, and also to the promotional efforts of Office of Agricultural Affairs at the American Embassy, which organizes U.S. wine tasting events at the U.S. Ambassador's Residence at least every other year.

E&J Gallo has been present in France since 1998 and has contracts with most major French retailers (Carrefour, Auchan, etc.). Gallo is also selling to restaurants in France and Europe as well as in wine stores. Mondavi wines have been in France since 2000.